

There are also several active Chapter 20 disputes between Mexico and the United States in which Canada is a third party. These disputes involve cross-border trucking and bus services and access for Mexican sugar to the U.S. market. The panel for Mexico's dispute with the United States on cross-border trucking and bus services began its work in early 2000.

In March 1999, under the investor-state dispute settlement provisions of Chapter 11, arbitration was started against Canada by Pope & Talbot Inc. (U.S.) concerning the implementation of the Canada-U.S. Softwood Lumber Agreement. Arbitration continued in the dispute brought by S.D. Myers Inc. (U.S.) in October 1998 concerning Canada's imposition of a 1995 prohibition on the export of PCB wastes to the United States. Sun Belt Water Inc. (U.S.) has not started arbitration against Canada, but has been in a position to do so since March 1999. As part of the ongoing review by the Parties of the operation of NAFTA, Canada is continuing to work with the United States and Mexico to seek clarification of the concept of expropriation contained in Chapter 11 and to enhance the transparency of the investor-state dispute settlement provisions.

Looking Forward

The NAFTA is not a static agreement. It has created a living framework for managing current and future priorities in the North American marketplace. Looking to the future of the agreement, some of Canada's priorities are to:

- ensure the continued smooth implementation of the NAFTA;
- clarify the NAFTA Parties' understanding of the provisions of the investment chapter of the NAFTA and increase procedural transparency (Chapter 11 <http://www.dfait-maeci.gc.ca/nafta-alena/chap11-e.asp>);
- explore areas that were either not fully addressed by the agreement, or where further progress might be possible;
- evaluate the impact of rapid technological change on North American markets and have new ways of doing business (such as e-commerce) reflected in the rules of the NAFTA;
- seek greater openness and transparency in NAFTA institutions; and

- explore opportunities for greater cooperation in the development and interaction of our trade, labour and environment policies.

UNITED STATES

Overview

Canada and the United States are each other's largest trading partners, moving about \$1.5 billion worth of goods and services across the border each day. In 1999, Canada exported \$310 billion in goods to the United States and imported \$249 billion in return. Services exports totalled \$29.6 billion during the same period, with corresponding imports at \$34.3 billion. Canada's merchandise exports to the United States alone support over 2 million Canadian jobs and generate 32.6 percent of Canada's GDP. Fully 85.9 percent of Canadian merchandise exports are destined for the United States. Since the implementation of the FTA in 1989, two-way trade has more than doubled. Between 1992 and 1999, two-way trade in goods increased by approximately 13 percent per year. This contrasts with an average annual increase of approximately 6.4 percent over the same period for Canada's trade in goods with the rest of the world.

The FTA, and subsequently the NAFTA, have had other positive spin-offs. For example, U.S. direct investment in Canada has increased from approximately \$85 billion in 1991 to \$147 billion in 1998, while Canadian direct investment in the United States has grown from \$63 billion to \$126 billion in the same period.

Canada's trade and investment relationship with the United States is quantitatively and qualitatively different from that with any other country. Excellent opportunities exist for Canadian goods and services exporters in virtually every sector. To exploit these opportunities, DFAIT's activities concentrate on introducing small- and medium-sized enterprises (SMEs) to the market, with particular focus on assisting women, young entrepreneurs and aboriginal firms to begin exporting to the United States. The New Exporters to Border States (NEBS) program has been highly successful in this regard, having helped more than 12,000 companies make their first foray into the U.S. market. The Canadian government also encourages Canadian exporters that have succeeded